

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4785-02  
Bill No.: HCS for HB 1386  
Subject: Taxation and Revenue - Income; Fire Protection  
Type: Original  
Date: February 22, 2016

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Bill Summary: This proposal authorizes a tax deduction for firefighters who complete training during the year.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	(Up to \$525,000)	(Up to \$525,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(Up to \$525,000)</b>	<b>(Up to \$525,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

In response to a prior version of this proposal, officials from the **Division of Fire Safety (DPS)** stated this proposal would provide an income tax deduction for volunteer fire fighters who meet specific training requirements. The legislation provides for a tax deduction of \$500 annually for volunteers who complete 12 hours of training approved by the Division of Fire Safety, and a deduction of \$1,000 for volunteer fire fighters who complete the Basic Fire Fighter course, or Fire Fighter 1 or 2 certification.

The proposal would make DPS responsible for developing procedures for this process, administering the training programs, verifying the fire fighter is in good standing with a registered fire department, and verifying the training hours for individuals applying for the credit.

DPS officials noted the Division of Fire Safety has administered and maintained a training and certification program for fire fighters for nearly 25 years, and stated more than 25,000 fire fighters and emergency responders have been trained with more than 60,000 certifications issued by the Division. DPS officials noted this requirement would increase the workload of the current training and certification program.

DPS officials assume the Division would request a one-thousand hour clerical position to process and evaluate the applications for tax credit eligibility, along with supporting expense funding to administer these additional duties.

DPS officials provided an estimate of the cost to implement this proposal of \$15,233 for FY 2017, \$17,480 for FY 2018, and \$17,766 for FY 2019.

**Oversight** will assume for fiscal note purposes, the additional responsibilities involved in implementing this proposal would not result in a significant increase in the DPS workload and could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented that significantly increase DPS costs or the workload for DPS employees, resources could be requested through the budget process.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal would reduce Total State Revenues (TSR) by \$525,000 and would impact the calculation required under Article X, Section 18(e) of the state constitution.

B&P officials noted that beginning in 2017 this proposal would create a deduction for volunteer fire fighters who meet certain criteria. Volunteer fire fighters who complete at least 12 hours of training would be allowed a deduction of \$500 per year and those who either complete the Basic Fire Fighter program or become certified after completing the Fire Fighter I and II program would be allowed a deduction of \$1,000. B&P officials stated that information provided by the Department of Public Safety indicated there are 15,000 volunteer firefighters who completed 12 or more hours of training in a year, an average of 298 who complete Basic Fire Fighter Training, and an average of 947 who complete the Fire Fighter I and II program.

B&P officials noted that deductions do not reduce taxes on a dollar for dollar basis, but calculated this deduction would reduce TSR by \$525,000 per year. The numbers may vary in the future due to the impact of SB 509 (2014).

**Oversight** will use the B&P estimate of eligible firefighters and notes this proposal could reduce Missouri personal income tax revenues as follows:

	Number of firefighters		Total Deductions
Volunteers who complete twelve hours of training per year	15,000	\$500	\$7,500,000
Volunteers who complete Basic Firefighter Training	298	\$1,000	\$298,000
Volunteers who complete Firefighter I and II Training	947	\$1,000	\$947,000
Totals	<u>16,245</u>		<u>\$8,745,000</u>
<b>Revenue reduction</b>			<b><u>\$525,000</u></b>

ASSUMPTION (continued)

**Oversight** notes the latest B&P estimate is based upon a marginal tax rate of 6%, and in the prior estimate B&P used a marginal tax rate of 5.9%.

**Oversight** assumes the amount calculated above would be the maximum revenue reduction for this proposal, since some eligible firefighters may not file a tax return, may not be able to use the deduction, or may not pay state income tax at the maximum individual rate. Oversight also notes the potential exists for a reduction in the personal income tax rates for 2018, which would have a fiscal impact in FY 2019 when 2018 income tax returns are filed. The rate reduction is contingent on net general revenue collections for the state of Missouri exceeding a statutory threshold, which may or may not occur. Accordingly, Oversight will include a revenue reduction estimate up to the amount calculated above for this proposal.

Officials from the **Department of Revenue (DOR)** assume that implementing this proposal would require programming and form changes; in addition, Personal Tax would require two additional Revenue Processing Technicians I (Range 10, Step L) for correspondence and error corrections and Collections and Tax Assistance (CATA) would require two additional Tax Collection Technicians I for contacts on the delinquent and non-delinquent tax lines. Each technician would require CARES equipment and license.

DOR officials provided an estimate of the administrative cost to implement the proposal including four additional employees; the total including additional employees, benefits, equipment, and expense, was \$175,147 for FY 2017, \$181,985 for FY 2018, and \$183,470 for FY 2019.

**Oversight** notes this proposal would change a limited number of computations on individual income tax returns and would not be expected to have an impact on the number of returns filed. Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

**DOR** officials assumed there would be no IT cost to implement the proposal since the changes could be incorporated into the new integrated system.

ASSUMPTION (continued)

In response to a prior version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

In response to a prior version of this proposal, officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Not responding:

Officials from the Battlefield Fire Protection District, Central County Fire and Rescue, Centralia Fire Department, Creve Couer Fire District, DeSoto Rural Fire Protection District, Hawk Point Fire Protection District, Hillsboro Fire Protection District, Lake St. Louis Fire District, Mehlville Fire District, Nixa Fire Protection District, Saline Valley Fire Protection District and the Southern Iron County Fire Protection District did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**GENERAL REVENUE FUND**

<u>Revenue reduction</u>		(Up to	(Up to
Tax deduction for firefighters who have completed training	<u>\$0</u>	<u>\$525,000)</u>	<u>\$525,000)</u>

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(Up to \$525,000)</u></b>	<b><u>(Up to \$525,000)</u></b>
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FISCAL IMPACT - Local Government

FY 2017  
(10 Mo.)

FY 2018

FY 2019

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

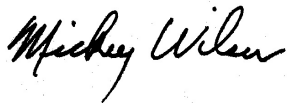
FISCAL DESCRIPTION

The proposed legislation would provide an income tax deduction for volunteer firefighters.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration - Budget and Planning  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Department of Public Safety



Mickey Wilson, CPA  
Director  
February 22, 2016

Ross Strobe  
Assistant Director  
February 22, 2016